

Years Ended December 31, 1990 (Pro Forma) and 1991

	Year Ended December 31,				Increase (Decrease)	
	1990(a)		1991		1990 vs. 1991	
	Amount	Percent of Net Revenues	Amount (Dollars in thousands)	Percent of Net Revenues	Amount	Percent Change
Broadcast revenues, net	\$37,473	100.0%	\$45,358	100.0%	\$ 7,885	21.0%
Operating before depreciation and amortization	21,624	57.7	25,187	55.5	3,563	16.5
Depreciation and amortization	7,179	19.2	18,078	39.9	10,899	151.8
Total operating expenses	28,803	76.9	43,265	95.4	14,462	50.2
Broadcast operating income	8,670	23.1	2,093	4.6	(6,577)	(75.9)
Interest expense	(5,761)	(15.4)	(8,895)	(19.6)	(3,134)	54.4
Interest and other income	474	1.3	562	1.2	88	18.6
Net (loss) income before provision for income taxes	\$3,383	9.0%	\$(6,240)	(13.8)%	\$(9,623)	(b)
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(a) The 1990 amounts are presented on a pro forma basis to give effect for the acquisition by the Company of the Founders' Stock as if such transaction had occurred on January 1, 1990. The resulting adjustments provide for additional amortization of acquired intangible broadcasting assets and interest expense.

(b) Not meaningful.

Net broadcast revenues increased from \$37.5 million for 1990 to \$45.4 million for 1991, or 21.0%. This increase was due primarily to the purchase of WPGH in August 1991. Excluding the acquisition of WPGH, the Company's revenue growth was adversely affected by the reduction in national and local advertising revenues due to the economic recession and the Gulf War.

Operating expenses before depreciation and amortization increased from \$21.6 million for 1990 to \$25.2 million for 1991, or 16.5%. The main components of the increase in expenses were the related expenses of the newly acquired WPGH, the start-up costs of a news department at WBFF and the cost of the move into a new building and studio in Baltimore.

Depreciation and amortization expenses increased from \$7.2 million on a pro forma basis for 1990 to \$18.1 million for 1991, or 151.8%. This increase is attributable primarily to increased program purchases and acquired intangible asset amortization expenses associated with the acquisition of WPGH, and the increased asset base available for depreciation as a result of WBFF's new news facilities.

Broadcast operating income decreased from \$8.7 million on a pro forma basis for 1990 to \$2.1 million for 1991, or 75.9%, due to the aforementioned increases in operating, amortization and depreciation expenses.

Interest expense increased from \$5.8 million on a pro forma basis for 1990 to \$8.9 million for 1991, or 54.4%, primarily as a result of the higher level of debt incurred by the Company to acquire WPGH.

Income before provision for income taxes was \$3.4 million on a pro forma basis in 1990 as compared to a net loss before provision for income taxes of \$6.2 million for 1991. This change was attributable primarily to increased amortization expense due to the WPGH acquisition.

## **Liquidity and Capital Resources**

The capital structure of the Company consists of the Company's outstanding long-term debt and stockholders' deficit. The stockholders' deficit consists of common stock, additional paid-in capital and accumulated deficit. The Company's balance of cash and cash equivalents was \$18.0 million at December 31, 1993.

The Company's primary source of liquidity is cash provided by operations. Cash flow from operations increased from \$5.2 million for 1992 to \$16.4 million for 1993, an increase of \$11.2 million. This increase is due primarily to an increase in broadcast operating income of \$5.8 million and an accrued payment to a former officer of the Company made in 1992, which was not made in 1993. This increase was offset by capital expenditures of \$528,000. The Company had net proceeds from borrowings of \$13.8 million. In addition, the Company received \$699,000 in net repayments of loans to officers and affiliates and \$1.1 million from proceeds from life insurance policies. As a result, cash increased by \$16.2 million for 1993.

Cash from operations increased from a use of \$2.3 million for 1991 to a source of \$5.2 million for 1992, an increase of \$7.5 million. This increase was offset by capital expenditures of \$426,000, net loans to officers and affiliates of \$625,000, net debt repayments of \$3.7 million and payments on program contracts of \$10.4 million. As a result, cash increased by \$443,000 for 1992.

Cash from operations decreased from a source of \$0.8 million for 1990 to a use of \$2.3 million for 1991, a decrease of \$3.0 million. Capital expenditures were \$1.7 million for 1991, net loans to officers and affiliates were \$544,000 and payments on program contracts were \$4.7 million. The acquisition of WPGH resulted in cash purchase price payments of \$55.0 million, net borrowings of \$45.5 million and issuance of warrants for \$11.6 million. As a result, cash decreased by \$2.4 million for 1991.

The Company has the rights to air numerous syndicated programs. As of December 31, 1993, the Company had commitments totaling \$20.4 million to acquire future program rights into the year 2000. The Company anticipates that it will incur program contract payments of approximately \$10.6 million in 1994.

From January 1, 1991 through December 31, 1993, the Company has invested approximately \$2.7 million of capital expenditures in its television stations. The Company anticipates that its capital expenditures for 1994 will be approximately \$2.3 million, which includes the acquisition of a corporate jet and additional office space in Columbus, Ohio.

The Company has a \$15.0 million Revolving Credit Facility and, as of December 31, 1993, has \$8.75 million available under the Revolving Credit Facility as a result of an outstanding letter of credit of \$6.25 million. The letter of credit was incurred in connection with the Proposed Acquisitions. The Revolving Credit Facility has interest rate options depending on the ratio of debt to broadcast operating cash flow. The current options are prime plus 1 1/2% or LIBOR plus 3%.

The Company anticipates that funds from operations and from its Revolving Credit Facility will be sufficient to meet its working capital, capital expenditures and debt service requirements for the foreseeable future. However, to the extent such funds are not sufficient, the Company may need to incur additional indebtedness or refinance existing indebtedness. The Company's Revolving Credit Facility, the Indenture and the instruments governing indebtedness incurred in connection with the Proposed Acquisitions will restrict such incurrence.

## **Income Taxes**

The provision for income taxes for 1993 was 230.2% of net income before provision for income taxes. This amount was greater than statutory rates primarily due to electing to amortize all acquired intangibles over 15 years and the resulting retroactive restatement of prior year income. A \$2.9 million benefit was recorded as part of the extraordinary items. The Company elected Section 197 in 1993 under which the previously nondeductible

goodwill amortization relating to the WPGH acquisition is recharacterized as deductible and, along with all other acquired intangibles, is given a tax life of 15 years. This election resulted in adjustments to taxable income for the years 1988, 1989, 1990, 1991 and 1992. A resulting tax liability of \$2.1 million was paid in March 1994. Only \$0.8 million of this liability was recognized as a payable due to loss carrybacks of \$6.9 million available to the Company, which will result in offsetting refunds in the same tax jurisdictions. The benefit for income taxes for 1992 was 18.4% of the net loss before benefit for income taxes and was due to the non-deductibility of goodwill expenses and other miscellaneous deductions such as travel and entertainment. The benefit for income taxes for 1991 was 25.3% of the net loss before benefit for income taxes primarily due to non-deductible goodwill amortization. The benefit due to the deductibility of goodwill amortization (net of a valuation allowance) was recognized in 1993.

After affecting for these changes the Company had net deferred tax assets of \$4.3 million. The Company believes that this net deferred asset will be realized through future operating results based on 1993's actual operating profits and its projection of future years' results.

### **Seasonality**

The Company's results are subject to seasonal fluctuations which result in higher fourth quarter broadcast operating income as compared with the first, second and third quarters. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period.

### **Certain Accounting Matters**

Pursuant to the stock redemption effected in 1990, the Company issued the \$14.2 million Founders' Notes. The stock redemption was accounted for under the "push-down" method of accounting, as substantially all of the common stock of the Company became owned by a management control group.

The purchase price was allocated based upon the fair value of the assets and liabilities of the Company as of the date of the redemption and resulted in additional recorded acquired intangible broadcasting assets of \$13.8 million. As a result of this, the results of operations of the Company prior to the redemption are not comparable to results for periods subsequent thereto. Financial information for periods prior to September 30, 1990 is presented as "predecessor" financial information.

The Financial Accounting Standards Board has issued SFAS No. 106, "Employers' Accounting for Post Retirement Benefits Other Than Pensions" and SFAS No. 112, "Employers' Accounting for Post Employment Benefits." The Company does not offer any benefits of the type covered by these standards. Therefore, the adoption of these standards will not have a material effect on the Company's results of operations or financial condition.

### **Inflation**

Inflation in recent years has not had a significant impact on the Company's operations, and it is not expected to materially adversely affect the Company in the future, unless it increases substantially and the Company suffers from a negative impact on the economy in general.

## **ITEM 8. FINANCIAL STATEMENTS**

The financial statements and supplementary data of the Company required by this item are filed as exhibits hereto, are listed under Item 14(a)(1) and (2), and are incorporated herein by reference.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

Not applicable.

### PART III

## ITEM 10. EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company are as follows:

<b>Name</b>	<b>Age</b>	<b>Title</b>
David D. Smith(1) .....	43	President, Chief Executive Officer, Director and Chairman of the Board
Frederick G. Smith(2) .....	44	Vice President and Director
J. Duncan Smith(2) .....	40	Secretary and Director
Robert E. Smith(3) .....	30	Treasurer and Director
Basil A. Thomas(3) .....	76	Director
David B. Amy .....	41	Controller

(1) Class Three Director.

(2) Class Two Director.

(3) Class One Director.

The Board of Directors is divided into three classes: Class One directors serve until May 1994; Class Two directors serve until May 1996; and Class Three directors serve until May 1998. At the expiration of their respective terms, directors are elected to serve for five-year terms and until their successors are duly elected and qualified. Executive officers are appointed by the Board of Directors annually to serve for one-year terms and until their successors are duly appointed and qualified. David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith are brothers.

David D. Smith has served as President, Chief Executive Officer and Chairman of the Board since September 1990. Prior to that, he served as General Manager of WPTT from 1984, and assumed the financial and engineering responsibility for the Company, including the construction of WTTE in 1984. In 1980, Mr. Smith founded Comark Television, Inc., which applied for and was granted the permit for WPXT-TV in Portland, Maine and which purchased WDSI-TV in Chattanooga, Tennessee. WPXT-TV was sold one year after construction and WDSI-TV was sold two years after its acquisition. From 1978 to 1986, Mr. Smith founded and operated Comark Communications, Inc., a company engaged in the manufacture of high power transmitters for UHF television stations. His television career began with WBFF in Baltimore, where he helped in the construction of the station and was in charge of technical maintenance until 1978.

Frederick G. Smith has served as Vice President of the Company since 1990 and as a Director since 1986. From prior to September 1988 until joining the Company full time in 1990, Dr. Smith was a surgical dentist engaged in private practice and was employed by Frederick G. Smith, M.S., D.D.S., P.A., a professional corporation of which Dr. Smith was the sole officer, director and stockholder.

J. Duncan Smith has served as Secretary and a Director of the Company since 1988. Prior to that, he worked extensively on the construction of WPTT in Pittsburgh, WTTE in Columbus, WIIB in Bloomington and WTTA in St. Petersburg, as well as on the renovation of the new studio, offices and news facility for WBFF in Baltimore.

**Robert E. Smith** has served as Treasurer and a Director of the Company since 1988. Prior to that, he served as Program Director at WBFF from 1986. Prior to that, he assisted in the construction of WTTE and worked at Comark Communications, Inc. installing UHF transmitters.

**Basil A. Thomas** has served as a director of the Company since November 1993. He is of counsel to the Baltimore law firm of Thomas & Libowitz, P.A. and has been in the private practice of law since 1983. From 1961 to 1968, Judge Thomas served as an Associate Judge on the Municipal Court of Baltimore City and, from 1968 to 1983, he served as an Associate Judge of the Supreme Bench of Baltimore City. Judge Thomas is a Trustee of the University of Baltimore and a member of the American Bar Association and the Maryland State Bar Association. Judge Thomas graduated from the College of William & Mary and received his L.L.B. from the University of Baltimore. Judge Thomas is the father of Steven A. Thomas, a senior attorney and founder of Thomas & Libowitz, P.A., counsel to the Company. During 1993, Thomas & Libowitz, P.A. billed the Company approximately \$404,000 in fees and expenses for legal services.

**David B. Amy** has served as Controller of the Company since 1986. Before that, he served as the Business Manager for WPTT. Prior to joining the Company in 1984, Mr. Amy was an accounting manager of Penn Athletic Products Company in Pittsburgh, Pennsylvania.

## ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain information regarding the annual and long-term compensation by the Company for services rendered in all capacities during 1993 by the Chief Executive Officer and the three other executive officers of the Company:

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Annual Compensation			
	Salary	Bonus(1)	Other Annual Compensation(2)	All Other Compensation(3)
David D. Smith President and Chief Executive Officer	\$225,813	\$2,628,615	\$ 0	\$ 2,855
Frederick G. Smith Vice President	140,954	2,500,005	10,177	5,573
J. Duncan Smith Secretary	151,385	2,527,435	16,031	2,235
Robert E. Smith Treasurer	140,954	2,509,005	8,954	2,102
All executive officers and significant employees as a group (8 persons) .....	1,204,762	10,478,196	45,984	31,801

(1) Bonuses are paid in accordance with the Executive Bonus Plan consistent with past practices. A special bonus of \$10 million was paid to the officers of the Company in 1993.

(2) Other annual compensation consists of income for personal use of Company-leased automobiles.

- (3) All other compensation consists of the Company's 401(k) contribution, life insurance and long-term disability coverage. The Company's 401(k) contributions for David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith were \$1,405, \$9,497, \$1,113 and \$1,026, respectively. Additional life insurance was \$456, \$456, \$456 and \$456, respectively, and long-term disability coverage was \$994, \$620, \$666 and \$620, respectively.

The Company currently pays its independent director \$100 for each meeting of the Board of Directors attended and reimburses him for any expenses incurred in connection with his attendance at such meetings.

### **Employment Agreement**

No officer has a written employment agreement with the Company.

### **Executive Bonus Plan**

Key management employees are eligible to participate in the Company's Executive Bonus Plan (the "Bonus Plan"). The Bonus Plan is designed to provide incentives to executive officers and other key employees to achieve certain operating objectives of the Company, and is administered by the Board of Directors. Participants are selected based upon their ability to affect profitability. Annual cash awards are based primarily on the attainment of certain operating objectives. The Bonus Plan is intended to reward specific operating accomplishments and provide competitive levels of compensation for the attainment of those financial objectives. Under the Bonus Plan, target awards are established for executive officers as a percentage of their base salary range. The targeted awards are subject to decrease or increase based on the Company's actual performance and at the discretion of the Board of Directors. The Board of Directors may also grant discretionary awards to certain key employees.

The bonuses in an aggregate amount of \$10.0 million paid to the executive officers in the third quarter of 1993 are special bonuses being awarded to such executive officers to reward them for their service with the Company during the period from 1987 to 1993, and have not been made pursuant to the Bonus Plan.

### **Compensation Committee Interlocks and Insider Participation**

All of the executive officers of the Company serve as directors of corporations that have a director or executive officer who is also a director of the Company. During 1993, each of the executive officers of the Company participated, in his capacity as a director, in deliberations of the Company's Board of Directors concerning executive officer compensation. Each of the executive officers has engaged in transactions with the Company. See "Certain Transactions."

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of the capital stock of the Company as of the date hereof:

<u>Name and Address(1)(2)</u>	<u>Class</u>	<u>Number of Shares</u>	<u>Percent</u>
David D. Smith..... 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
Frederick G. Smith..... 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
J. Duncan Smith..... 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
Robert E. Smith..... 2000 West 41st Street Baltimore, Maryland 21211	Common Stock	172,995	25%
All directors and officers as a group (6 persons) .....	Common Stock	691,980	100%

- (1) The persons named in the table have sole voting and investment power with respect to the shares shown as beneficially owned by them.
- (2) All of the shares shown as beneficially owned by the persons named in the table have been pledged pursuant to the Company's bank credit agreement.

## ITEM 13. CERTAIN TRANSACTIONS

In each of the Company's transactions with a related party to date, the Company believes that it has conducted such transaction on terms that are comparable to those prevailing in similar transactions with or involving unaffiliated parties, utilizing, whenever practicable, independent appraisals, surveys of comparable transactions and separate legal counsel for each party.

### Four Jacks Broadcasting, Inc.

Four Jacks, a company wholly owned by the Current Stockholders, has filed a competing application with the FCC for the broadcast license for VHF Channel 2 in Baltimore, Maryland. Because of the FCC's multiple ownership rules, the principals of Four Jacks have committed themselves in their application for Channel 2 to divest the Company's interest in the broadcast license for WBFF in Baltimore if Channel 2 is awarded to them and before assuming operational control of Channel 2.

## **Sale of WPTT**

In August 1991, the Company sold the FCC license and certain other assets of WPTT in Pittsburgh to WPTT, Inc. for a sale price of \$7.0 million. In connection with the acquisition of WPGH, the Company engaged an independent appraiser to appraise the FCC license for WPGH. While no similar appraisal was performed on the WPTT license, the Company utilized the information and conclusions contained in the WPGH appraisal as factors to be considered in assessing the value of the WPTT license and an acceptable sales price for WPTT. The purchase price was financed by WPTT, Inc., the new owner, through (i) a 15-year senior secured term note of \$6.0 million (the "WPTT Note"), and (ii) a 20-year 8.5% redeemable subordinated convertible debenture (the "Convertible Debenture") in the aggregate principal amount of \$1.0 million. At the same time, the Company entered into agreements to lease the tower and station buildings to WPTT, Inc. for use in the operation of WPTT with annual rental payments of \$212,400.

Principal payments on the WPTT Note are required to be made over the five-year period, in the amount of \$100,000 each month, commencing on October 1, 2001 and ending on September 30, 2006, at which time any unpaid amounts on the WPTT Note are due. Interest payments, which are computed on a floating interest rate equal to the prime rate plus 4.5%, began on October 1, 1991 and are payable monthly until maturity.

The Convertible Debenture, which matures on September 30, 2011, is convertible, in whole or in part, by the holder at any time prior to maturity, subject to the approval of the FCC, into up to 80% of the capital stock of WPTT, Inc., such shares to be non-voting. WPTT, Inc. has agreed not to issue any other debentures or like instruments during the term of the debenture without the express written consent of the holder.

In December 1991, Keyser Communications, Inc. ("KCI"), a corporation wholly owned by the Current Stockholders, entered into a Programming Services Agreement (the "Programming Agreement") with WPTT, Inc. pursuant to which KCI agreed to provide programming to WPTT during certain time periods, and WPTT agreed that KCI could sell, or engage a third party to sell, advertising time on WPTT during such programming. In consideration for WPTT broadcasting the programming provided by KCI, KCI agreed to pay an hourly fee. In January 1992, KCI entered into a management agreement and other arrangements with WPGH, Inc., a Subsidiary of the Company, whereby KCI and WPGH, Inc. agreed that WPGH, Inc. may provide to KCI its excess programming which will assist KCI in providing programming to WPTT under the Programming Agreement. As consideration for the programming provided by WPGH, Inc., WPGH, Inc. sells the advertising time allotted to KCI under to the Programming Agreement. Pursuant to these arrangements, WPGH, Inc. receives a 10% commission on the advertising time sold. During 1993, WPGH, Inc. received gross commissions of \$455,000. The total net commissions earned by WPGH, Inc. were approximately \$120,000 in 1993. In addition, the Company received from KCI broadcast time for promotions valued at \$26,000 in 1993.

During 1992, the Convertible Debenture was assigned to the Current Stockholders in exchange for the payment of \$100,000 and the issuance of a \$900,000 note, which bears interest at 7.9% per annum and matures in April 2002.

In March 1993, the Company assigned the WPTT Note to Julian S. Smith and Carolyn C. Smith (the parents of the Current Stockholders), both former stockholders of the Company, in exchange for the payment of \$50,000 and the issuance of a \$6.6 million note which bears interest at 7.21% per annum and requires interest only payments through September 2001. Monthly principal payments of \$109,317 plus interest are payable commencing in November 2001 and ending in September 2006, at which time the remaining principal balance plus accrued interest, if any, is due.

## **Sale of WIIB**

In September 1990, the Company sold all the stock of Channel 63, Inc., the owner of WIIB in Bloomington, to the Current Stockholders for \$1.5 million, financed by a note issued to the Company bearing

interest at the rate of 10.25% per annum (the "WIIB Note"), which was guaranteed by WIIB. The purchase price was determined by an independent appraisal. In June 1992, the then outstanding principal balance on the WIIB Note of \$1.5 million was refinanced. This transaction was entered into to allow WIIB to refinance at lower interest rates prevailing at the time of refinancing. The new note bears interest at 6.88% per annum, is payable in monthly principal and interest payments of \$16,000 until September 30, 2000, at which time a final payment of approximately \$431,000 is due. The WIIB Note, and all renewals, extensions, substitutions, refinancings and restatements thereon, is pledged pursuant to the Company's bank credit agreement. At December 31, 1993, \$1.3 million remained outstanding. At the time of the sale WIIB was, and is currently, a Home Shopping Network affiliate.

### **Bay Television, Inc.**

In April 1990, Chesapeake Television, Inc. ("CTI"), a Subsidiary of the Company, sold certain station equipment to Bay Television, Inc. in exchange for the issuance of a note in the principal amount of \$503,359 payable over five years with an interest rate of 11% per annum (the "Bay Transmitter Note"). Bay Television, Inc. is owned 75% by the Current Stockholders and 25% by Robert L. Simmons, a former stockholder of the Company, and is the owner and operator of WTTA in St. Petersburg. At December 31, 1993, \$160,000 remained outstanding under the Bay Transmitter Note.

In connection with the capitalization of Bay Television, Inc. the Company agreed to loan the Current Stockholders up to \$3 million on May 17, 1990, and the Current Stockholders simultaneously agreed to loan Bay Television, Inc. up to \$3 million (collectively, the "Bay Credit Facility"). Each of the loans to the Current Stockholders and to Bay Television, Inc. pursuant to the Bay Credit Facility is evidenced by a secured note due December 31, 1999 accruing interest at a floating rate equal to the prime rate plus one percentage point. The principal balance, payable over six years commencing on March 31, 1994, is required to be repaid quarterly at a rate of: (i) 1.25% each quarter for the first year; (ii) 2.5% each quarter for the second year; (iii) 5% each quarter for years three through five; and (iv) 6.25% each quarter for the last year. Interest on the unpaid principal amount of each note is also payable quarterly. The notes pursuant to the Bay Credit Facility are pledged pursuant to the Company's bank credit agreement. At December 31, 1993, principal and accrued interest of \$2.6 million remains outstanding under the Bay Credit Facility.

### **Loans to Affiliates**

In January 1991, the Company loaned Robert E. Smith \$100,000 payable on demand and bearing interest at the rate of 8.87%. In June 1992, the Board of Directors of the Company reduced the interest rate to 7.87%, effective June 1, 1992. This note was paid in full and canceled on September 27, 1993.

In June 1992, the Company loaned David D. Smith \$250,000 payable on demand and bearing interest at the rate of 7.87%. The Company also loaned \$250,000 to J. Duncan Smith on the same terms. In 1993, the interest rate on J. Duncan Smith's note was changed to the current Applicable Federal Rate, effective January 1, 1993. Both of these notes were paid in full and canceled on September 27, 1993.

### **Affiliated Leases**

From 1987 to 1992, the Company entered into five lease transactions with Cunningham Communications, Inc. ("Cunningham"), a corporation wholly owned by the Current Stockholders, to lease certain facilities from Cunningham. Four of these leases are 10-year leases for rental space on broadcast towers, two of which are capital leases having renewable terms of 10 years. The other lease is a month to month lease for the old studio and offices of WBFF where certain WBFF satellite dishes are located. The aggregate annual rental payments related to these leases were \$348,000 in 1993 and will be \$455,000 in 1994.

In January 1991, CTI entered into a 10-year capital lease for a new administrative facility for station WBFF and the Company's corporate offices with Keyser Investment Group, Inc. ("KIG"), a corporation wholly owned by the Current Stockholders. Additionally, in June 1991 CTI entered into a one-year renewable lease for parking facilities at the administration facility with KIG. The aggregate annual rental payments related to the administrative facility were \$336,000 in 1993 and will be \$386,000 in 1994.

Gerstell Development Limited Partnership ("Gerstell"), an entity wholly owned by the Current Stockholders, was formed in April 1993 to acquire certain personal and real property interests of the Company in Pennsylvania. This transaction was completed in September 1993. Gerstell acquired the WPGH office/studio, transmitter and tower site for an aggregate of \$2.2 million. The purchase price was financed in part by a \$2.1 million note bearing interest at 6.18% with principal payments beginning on November 1, 1994 and a final maturity date of October 1, 2013. Gerstell also leased the office/studio, transmitter and tower site to WPGH, Inc. for \$14,875 per month and \$25,000 per month, respectively. These are seven-year leases with four seven-year renewal periods. Gerstell has arranged for a \$2.0 million loan (the "Gerstell Loan") from a bank lender for the construction on the studio/transmitter site of an expansion of the existing office building/television studio and the construction of a new tower having an estimated cost of an aggregate of \$1.5 million. The Company has guaranteed the Gerstell Loan. As of December 31, 1993, there was \$130,000 outstanding under the Gerstell Loan. The completed office building/television studio and the new tower will be leased from Gerstell by WPGH, Inc. The Company believes that the leases with Gerstell are or will be at market rates and of an adequate duration.

Pursuant to a second acquisition agreement, Gerstell has agreed to purchase from the Company certain real estate in Monroeville, Pennsylvania for a purchase price equal to its appraised value of \$115,000. The property is the location of the tower for WPTT in Pittsburgh. The Company conveyed the above mentioned personal and real property to Gerstell in an effort to limit its liability exposure associated with the towers and real property sites.

### **Stock Redemptions**

On September 30, 1990, the Company issued the Founders' Notes maturing on May 31, 2005, payable to Julian S. Smith and Carolyn C. Smith, former majority owners of the Company and the parents of the Current Stockholders, in the amounts of \$7.5 million and \$6.7 million, respectively, in consideration of stock redemptions of 72.65% of the outstanding stock of the Company. The redemption price of the Founders' Stock was determined by an independent appraiser. The Founders' Notes are secured by security interests in all of the assets of the Company and its subsidiaries, and are personally guaranteed by the Current Stockholders.

Principal payments on the loan from Julian S. Smith are payable, in various amounts, each October, beginning October 1991 until October 2004, with a balloon payment due at maturity in the amount of \$5.0 million. Additionally, monthly interest payments of \$28,750 commenced on April 1993 and will continue until December 1996.

Principal payments on the loan from Carolyn C. Smith are payable each October, beginning October 1991 until October 2004, with a balloon payment due at maturity in the amount of \$4.5 million. The notes include stated interest rates of 8.75%, payable annually from October 1990 until October 1992, then payable semi-annually thereafter, until maturity. The effective interest rate approximates 9.4%.

In December 1986, the Company entered into a non-competition agreement with Julian S. Smith in the aggregate amount of \$345,000 per year. This agreement expired May 1993.

### **Glencairn Acquisition**

If FCC consent to the Glencairn Acquisition as proposed in the current FCC application is obtained, the Company will enter into a PSA with Glencairn with respect to WVTM. Carolyn C. Smith, the mother of the Current

Stockholders. owns a majority of the voting capital stock of Glencairn. The specific terms of the PSA are subject to further negotiation between Glencairn and the Company.

#### **Certain Business Relationships**

During 1993, Thomas & Libowitz, P.A., counsel to the Company, billed the Company approximately \$404,000 in fees and expenses for legal services. Basil A. Thomas, a director of the Company, is of counsel to Thomas & Libowitz, P.A., and is the father of Steven A. Thomas, a senior attorney and founder of Thomas & Libowitz, P.A.

## **PART IV**

### **ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

#### **(a)(1) Index to Financial Statements**

The financial statements required by this item are submitted in a separate section beginning on page F-1 of this report.

Index to Financial Statements .....	F-1
Report of Arthur Andersen & Co., Independent Public Accountants .....	F-2
Consolidated Balance Sheets at December 31, 1992 and 1993 .....	F-3
Consolidated Statements of Operations for the years ended December 31, 1991, 1992 and 1993 .....	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1991, 1992 and 1993 .....	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 1991, 1992 and 1993 .....	F-6
Notes to Consolidated Financial Statements .....	F-8

#### **(a)(2) Index to Financial Statements Schedules**

The financial statements schedules required by this item are submitted on pages S-1 through S-7 of this Report.

Index to Schedules .....	S-1
Report of Arthur Andersen & Co., Independent Public Accountants .....	S-2
Schedule II -- Amounts Receivable from Related Parties .....	S-3
Schedule IV -- Indebtedness of and to Related Parties -- Not Current .....	S-5
Schedule VIII -- Valuation and Qualifying Accounts .....	S-6
Schedule X -- Supplementary Statement of Operations Information .....	S-7

All other schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or the notes thereto.

#### **(a)(3) Index to Exhibits**

See Index to Exhibits on pages 30 - 34.

#### **(b) Reports on Form 8-K**

There were no reports on Form 8-K filed by the Registrant during the fourth quarter of the fiscal year ended December 31, 1993.

#### **(c) Exhibits**

The exhibits required by this Item are listed under Item 14(a)(3).

#### **(d) Financial Statement Schedules**

The financial statement schedules required by this Item are listed under Item 14(a)(2).

## SIGNATURES

Pursuant to the requirements of Section 14 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on the 30th day of March, 1994.

SINCLAIR BROADCAST GROUP, INC.  
 Chesapeake Television, Inc.  
 Chesapeake Television Licensee, Inc.  
 WTTE, Channel 28, Inc.  
 WTTE, Channel 28 Licensee, Inc.  
 WPGH, INC.  
 WPGH Licensee, Inc.  
 WTTO, Inc.  
 WTTO Licensee, Inc.  
 WCGV, Inc.  
 WCGV Licensee, Inc.

By: /s/ David D. Smith  
 David D. Smith, President

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoint David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith, or any of them, his attorney-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report, and to file the same, with exhibits thereto and other documents in connections therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David D. Smith</u> David D. Smith	Chairman, CEO and President (Principal Executive Officer)	March 30, 1994
<u>/s/ Frederick G. Smith</u> Frederick G. Smith	Vice President and Director	March 30, 1994
<u>/s/ J. Duncan Smith</u> J. Duncan Smith	Secretary and Director	March 30, 1994
<u>/s/ Robert E. Smith</u> Robert E. Smith	Treasurer and Director	March 30, 1994
<u>/s/ David B. Amy</u> David B. Amy	Controller (Principal Financial Officer and Principal Accounting Officer)	March 30, 1994
<u>/s/ Basil A. Thomas</u> Basil A. Thomas	Director	March 30, 1994

## INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
*3.1	Articles of Amendment and Restatement of the Charter of Sinclair Broadcast Group, Inc.
*3.2	Amended By-Laws of Sinclair Broadcast Group, Inc.
*3.3	Amended and Restated Charter of Chesapeake Television, Inc.
*3.4	Amended By-Laws of Chesapeake Television, Inc.
*3.5	Certificate of Incorporation of Chesapeake Television Licensee, Inc.
*3.6	By-Laws of Chesapeake Television Licensee, Inc.
*3.7	Amended and Restated Charter of WTTE, Channel 28, Inc.
*3.8	Amended By-Laws of WTTE, Channel 28, Inc.
*3.9	Amended and Restated Charter of WTTE, Channel 28 Licensee, Inc.
*3.10	Amended By-Laws of WTTE, Channel 28 Licensee, Inc.
*3.11	Articles of Incorporation of WPGH, Inc., as amended
*3.12	By-Laws of WPGH, Inc.
*3.13	Amended and Restated Charter of WPGH Licensee, Inc.
*3.14	Amended By-Laws of WPGH Licensee, Inc.
*3.15	Articles of Incorporation of WTTO, Inc.
*3.16	By-Laws of WTTO, Inc.
*3.17	Certificate of Incorporation of WTTO Licensee, Inc.
*3.18	By-Laws of WTTO Licensee, Inc.
*3.19	Articles of Incorporation of WCGV, Inc.
*3.20	By-Laws of WCGV, Inc.
*3.21	Certificate of Incorporation of WCGV Licensee, Inc.
*3.22	By-Laws of WCGV Licensee, Inc.
*4.1	Form of Indenture by and between Sinclair Broadcast Group, Inc., each of the guarantors named therein and First Union National Bank of North Carolina, as Trustee
*4.2	Form of Pledge and Assignment Agreement by and between Sinclair Broadcast Group, Inc. and First Union National Bank of North Carolina, as Trustee
*10.1	Agreement and Amendment to Station Affiliation Agreement dated as of June 11, 1993 between Sinclair Broadcast Group, Inc. and Fox Broadcasting Company
*10.2	Station Affiliation Agreement dated as of June 9, 1992 between Chesapeake Television, Inc. and Fox Broadcasting Company
*10.3	Station Affiliation Agreement dated as of June 10, 1992 between Sinclair Broadcast Group, Inc. -- WPGH and Fox Broadcasting Company
*10.4	Station Affiliation Agreement dated as of June 9, 1992 between CRI, Inc. -- WTTE and Fox Broadcasting Company

- \*10.5 Irrevocable Letter of Credit in an amount not to exceed \$6,250,000, granted by The Chase Manhattan Bank, N.A. for the account of Commercial Radio Institute, Inc., dated as of August 11, 1993
- \*10.6 Escrow Agreement dated as of August 10, 1993 by and among Sinclair Broadcast Group, Inc., Glencairn, Ltd., ABRY Communications, L.P. and The First National Bank of Chicago, N.A.
- \*10.7 Asset Purchase Agreement dated as of August 10, 1993 between WNUV TV-54 Limited Partnership (as seller) and WNUV, Inc. (as buyer) (exhibits and schedules have been omitted and the Registrants agree to furnish copies thereof to the Securities and Exchange Commission upon its request)
- \*10.8 Asset Purchase Agreement dated as of August 10, 1993 among Super 18 Television Limited Partnership (as seller) and WVTM, Inc. and WCGV, Inc. (as buyers) (exhibits and schedules have been omitted and the Registrants agree to furnish copies thereof to the Securities and Exchange Commission upon its request)
- \*10.9 Asset Purchase Agreement dated as of August 10, 1993 among BBM Partners, L.P., WTTO, Inc. and WCGV, Inc. (a Delaware corporation) (as sellers) and WTTO, Inc. and WCGV, Inc. (a Maryland corporation) (as buyers) (exhibits and schedules have been omitted and the Registrants agree to furnish copies thereof to the Securities and Exchange Commission upon its request)
- \*10.10 Asset Purchase Agreement dated as of August 10, 1993 among ABRY Communications, L.P., Copley Place Capital Group and WNUV TV-54 Limited Partnership (as sellers) and Chesapeake Television, Inc. (as buyer) (exhibits and schedules have been omitted and the Registrants agree to furnish copies thereof to the Securities and Exchange Commission upon its request)
- \*10.11 Letter Agreement dated as of August 10, 1993 between Sinclair Broadcast Group, Inc. and certain affiliates of ABRY Communications, L.P. and Form of Covenant Not to Compete
- \*10.12 Promissory Note dated as of May 17, 1990 in the principal amount of \$3,000,000 among David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith (as makers) and Sinclair Broadcast Group, Inc., Channel 63, Inc., Commercial Radio Institute, Inc., WTTE, Channel 28, Inc. and Chesapeake Television, Inc. (as holders)
- \*10.13 Promissory Note dated as of May 17, 1990 in the principal amount of \$3,000,000 between Bay Television, Inc. (as maker) and David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith (as holders)
- \*10.14 Term Note dated as of September 30, 1990 in the principal amount of \$7,515,000 between Sinclair Broadcast Group, Inc. (as borrower) and Julian S. Smith (as lender)
- \*10.15 Term Note dated as of September 30, 1990 in the principal amount of \$6,700,000 between Sinclair Broadcast Group, Inc. (as borrower) and Carolyn C. Smith (as lender)
- \*10.16 Note dated as of September 30, 1990 in the principal amount of \$1,500,000 between Frederick G. Smith, David D. Smith, J. Duncan Smith and Robert E. Smith (as borrowers) and Sinclair Broadcast Group, Inc. (as lender)
- \*10.17 Promissory Note dated as of January 7, 1991 in the principal amount of \$100,000 between Robert E. Smith (as maker) and Sinclair Broadcast Group, Inc. (as holder)
- \*10.18 Term note dated as of August 30, 1991 in the principal amount of \$6,000,000 between WPTT, Inc. (as borrower) and Commercial Radio Institute, Inc. (as lender)

- \*10.19 Promissory Note dated as of June 1, 1992 in the principal amount of \$250,000 between David D. Smith (as maker) and Sinclair Broadcast Group, Inc. (as holder)
- \*10.20 Promissory Note dated as of June 1, 1992 in the principal amount of \$250,000 between J. Duncan Smith (as maker) and Sinclair Broadcast Group, Inc. (as holder), with Amendment thereto dated as of May 5, 1993
- \*10.21 Amended and Restated Note dated as of June 30, 1992 in the principal amount of \$1,458,489 between Frederick G. Smith, David D. Smith, J. Duncan Smith and Robert E. Smith (as borrowers) and Sinclair Broadcast Group, Inc. (as lender)
- \*10.22 Term Note dated August 1, 1992 in the principal amount of \$900,000 between Frederick G. Smith, David D. Smith, J. Duncan Smith and Robert E. Smith (as borrowers) and Commercial Radio Institute, Inc. (as lender)
- \*10.23 Management Agreement dated as of January 6, 1992 between Keyser Communications, Inc. and WPGH, Inc.
- \*10.24 Form of Programming Services Agreements with Glencairn, Ltd.
- \*10.25 Lease Agreement dated as of April 1, 1992 between Cunningham Communications, Inc. and Chesapeake Television, Inc., as amended on September 23, 1993
- \*10.26 Lease Agreement dated as of June 1, 1991 between Cunningham Communications, Inc. and Chesapeake Television, Inc., as amended on September 23, 1993
- \*10.27 Lease Agreement dated as of March 16, 1988 between Cunningham Communications, Inc. and Chesapeake Television, Inc., as amended on September 23, 1993
- \*10.28 Lease Agreement dated as of April 2, 1987 between Cunningham Communications, Inc. and Chesapeake Television, Inc., as amended on September 23, 1993
- \*10.29 Lease dated June 1, 1991 between Cunningham Communications, Inc. and Chesapeake Television, Inc.
- \*10.30 Lease dated January 1, 1991 between Keyser Investment Group, Inc. and Chesapeake Television, Inc.
- \*10.31 Lease dated June 6, 1991 between Keyser Investment Group, Inc. and Chesapeake Television, Inc.
- \*10.32 Agreement Not to Compete dated as of December 30, 1986 between Commercial Radio Institute, Inc. and Julian S. Smith
- \*10.33 Agreement Not to Compete dated as of December 30, 1986 between Chesapeake Television, Inc. and Julian S. Smith
- \*10.34 Promissory Note dated as of December 28, 1986 in the principal amount of \$6,421,483.53 between Sinclair Broadcast Group, Inc. (as maker) and Frederick H. Himes, B. Stanley Resnick and Edward A. Johnston (as representatives for the holders)
- \*10.35 Purchase and Termination Agreement dated as of June 15, 1993 among WPGH, Inc., Commercial Radio Institute, Inc. and Heller Financial, Inc.
- \*10.36 Term Note dated as of August 30, 1991 in the principal amount of \$6,000,000 between WPTT, Inc. (as maker-borrower) and Commercial Radio Institute, Inc. (as holder-lender) (as amended)
- \*10.37 Term Note dated as of March 1, 1993 in the principal amount of \$6,559,000 between Julian S. Smith and Carolyn C. Smith (as makers-borrowers) and Commercial Radio Institute, Inc. (as holder-lender)

- \*10.38 Credit Agreement dated as of August 30, 1991 in the aggregate principal amount of \$95,000,000, between Sinclair Broadcast Group, Inc. (as Parent Guarantor and representative of Subsidiary Guarantors) and Commercial Radio Institute, Inc. (as borrower), and Chase Manhattan Bank, N.A. (as Agent for various lenders under the agreement) (exhibits and schedules have been omitted and the Registrants agree to furnish copies thereof to the Securities and Exchange Commission upon its request)
- \*10.39 Amendment No. 1 to the Credit Agreement dated as of December 5, 1991 among Sinclair Broadcast Group, Inc., Commercial Radio Institute, Inc., various subsidiaries of Commercial Radio Institute, Inc., David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith, various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.40 Amendment No. 2 to the Credit Agreement dated as of November 13, 1992 among Sinclair Broadcast Group, Inc., Commercial Radio Institute, Inc., various subsidiaries of Commercial Radio Institute, Inc., David D. Smith, Frederick G. Smith, J. Duncan Smith, Robert E. Smith, various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.41 Amendment No. 3 to the Credit Agreement dated as of December 15, 1992 among Sinclair Broadcast Group, Inc., Commercial Radio Institute, Inc., various subsidiaries of Commercial Radio Institute, Inc., various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.42 Amendment No. 4 to the Credit Agreement dated as of February 1, 1993 among Sinclair Broadcast Group, Inc., Commercial Radio Institute, Inc., various subsidiaries of Commercial Radio Institute, Inc., Julian S. Smith and Carolyn C. Smith, various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.43 Amendment No. 5 to the Credit Agreement dated as of June 15, 1993 among Sinclair Broadcast Group, Inc., Commercial Radio Institute, Inc., various Subsidiaries of Commercial Radio Institute, Inc., various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.44 Amendment No. 6 to the Credit Agreement dated as of August 9, 1993 among Sinclair Broadcast Group, Inc., Commercial Radio Institute, Inc., various Subsidiaries of Commercial Radio Institute, Inc., various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.45 Amendment No. 7 to the Credit Agreement dated as of September 15, 1993 among Sinclair Broadcast Group, Inc., Commercial Radio Institute, Inc., various Subsidiaries of Commercial Radio Institute, Inc., various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.46 Amendment No. 8 to the Credit Agreement dated as of October 15, 1993 among Sinclair Broadcast Group, Inc., various Subsidiaries of Sinclair Broadcast Group, Inc., the Smith Brothers, various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
- \*10.47 Restatement of Stock Redemption Agreement by and among Sinclair Broadcast Group, Inc. and Chesapeake Television, Inc., et al. dated June 19, 1990 (without exhibits)
- \*10.48 Corporate Guaranty Agreement dated as of September 30, 1990 by Chesapeake Television, Inc., Commercial Radio, Inc., Channel 63, Inc. and WTTE, Channel 28, Inc. (as guarantors) to Julian S. Smith and Carolyn C. Smith (as lenders)
- \*10.49 Security Agreement dated as of September 30, 1990 among Sinclair Broadcast Group, Inc., Chesapeake Television, Inc., Commercial Radio Institute, Inc., WTTE, Channel 28,

- Inc. and Channel 63, Inc. (as borrowers and subsidiaries of the borrower) and Julian S. Smith and Carolyn C. Smith (as lenders)
- \*10.50 Guaranty of Payment dated as of September 30, 1990 among Frederick G. Smith, David D. Smith, J. Duncan Smith and Robert E. Smith (as guarantors) and Julian S. Smith and Carolyn C. Smith (as lenders)
  - \*10.51 Stock Pledge Agreement dated as of September 30, 1990 among Frederick G. Smith, David D. Smith, J. Duncan Smith and Robert E. Smith (as pledgors) and Julian S. Smith and Carolyn C. Smith (as lenders)
  - \*10.52 Subordination Agreement dated as of September 30, 1990 among Julian S. Smith and Carolyn C. Smith (as Creditors) and American Security Bank, N.A. and First American Bank of Maryland (as lenders)
  - \*10.53 Warrant Agreement dated as of August 30, 1991, between WPGH, Inc., The Chase Manhattan Bank, N.A., and executed by Sinclair Broadcast Group, Inc.
  - \*10.54 WPGH-TV Asset Purchase Agreement dated January 12, 1991 between Channel 53, Inc. and Channel 53 Licensee, Inc. (as sellers) and Sinclair Broadcast Group, Inc. (as buyer) (as amended) (exhibits and schedules have been omitted and the Registrants agree to furnish copies thereof to the Securities and Exchange Commission upon its request)
  - \*10.55 Contract of Sale dated as of September 22, 1993 (as buyer) between Commercial Radio Institute, Inc. (as seller) and Gerstell Development Limited Partnership (as buyer)
  - \*10.56 Contract of Sale dated as of September 22, 1993 between Commercial Radio Institute, Inc. (as Seller) and Gerstell Development Limited Partnership (as buyer)
  - \*10.57 Assignment of Leases dated as of September 22, 1993 between WPGH, Inc. (as assignor) and Commercial Radio Institute, Inc. (as assignee)
  - \*10.58 Assignment of Leases dated as of September 22, 1993 between Commercial Radio Institute, Inc. (as assignor) and Gerstell Development Limited Partnership (as assignee)
  - \*10.59 Assignment of Leases dated as of September 22, 1993 between Commercial Radio Institute, Inc. (as assignor) and Gerstell Development Limited Partnership (as assignee)
  - \*10.60 Term Note dated as of September 22, 1993, in the principal amount of \$1,900,000 between Gerstell Development Limited Partnership (as maker-borrower) and Sinclair Broadcast Group, Inc. (as holder-lender)
  - \*10.61 Form of Amendment No. 9 to the Credit Agreement among Sinclair Broadcast Group, Inc., various Subsidiaries of Sinclair Broadcast Group Inc., various signatory financial institution lenders, and The Chase Manhattan Bank, N.A.
  - \*22.1 Subsidiaries of Sinclair Broadcast Group, Inc.
  - 25.1 Powers of Attorney (see page 29)

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\* Filed as an exhibit to the Registrant's Registration Statement on Form S-1 (33-69482) or amendments thereto and incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES:

Report of Independent Public Accountants .....	F-2
Consolidated Balance Sheets as of December 31, 1992 and 1993 .....	F-3
Consolidated Statements of Operations for the Years Ended December 31, 1991, 1992 and 1993 .....	F-4
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1991, 1992 and 1993 .....	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 1991, 1992 and 1993 .....	F-6
Notes to Consolidated Financial Statements .....	F-8

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of  
Sinclair Broadcast Group, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc. (a Maryland corporation) and Subsidiaries as of December 31, 1992 and 1993, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 1991, 1992 and 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Broadcast Group, Inc. and Subsidiaries, as of December 31, 1992 and 1993, and the results of their operations and their cash flows for the years ended December 31, 1991, 1992 and 1993, in conformity with generally accepted accounting principles.

*Arthur Andersen & Co.*

Baltimore, Maryland,  
March 22, 1994

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

( in thousands)

	<u>As of December 31,</u>	
	<u>1992</u>	<u>1993</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 1).....	\$ 1,823	\$ 18,036
Cash held in escrow (Notes 3 and 14).....	-	100,000
Receivables, net of allowance for doubtful accounts of \$472 and \$505, respectively .....	17,471	18,519
Refundable income taxes (Note 7).....	1,800	385
Current portion of program contract costs (Notes 1 and 5) .....	7,643	5,061
Deferred barter costs (Note 1).....	449	512
Prepaid expenses and other current assets (Note 11).....	3,659	456
Deferred tax asset (Note 7).....	<u>1,150</u>	<u>2,365</u>
Total current assets.....	33,995	145,334
PROPERTY AND EQUIPMENT, net (Notes 2, 4 and 8).....	13,726	12,195
PROGRAM CONTRACT COSTS, less current portion (Notes 1 and 5).....	7,127	3,863
LOANS TO OFFICERS AND AFFILIATES, net of deferred gain of \$657 and \$609 in 1992 and 1993, respectively (Notes 1 and 6)..	4,923	12,939
DEFERRED TAX ASSET (Note 7).....	-	1,935
OTHER ASSETS (Notes 1 and 11) .....	15,156	5,261
ACQUIRED INTANGIBLE BROADCASTING ASSETS, net of accumulated amortization of \$11,401 and \$15,446, respectively (Notes 1 and 11).....	<u>64,801</u>	<u>60,247</u>
Total Assets.....	<u>\$139,728</u>	<u>\$241,774</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	\$ 2,373	\$ 2,199
Income taxes payable (Note 7).....	186	890
Accrued liabilities (Note 11).....	3,533	6,223
Current portion of long-term liabilities-		
Notes payable and commercial bank financing (Note 3).....	10,734	100,869
Capital leases payable (Notes 2 and 8).....	727	754
Notes and capital leases payable to affiliates (Note 4).....	320	1,197
Program contracts payable (Notes 1 and 5).....	13,295	11,858
Deferred barter revenues (Note 1) .....	<u>451</u>	<u>663</u>
Total current liabilities.....	31,619	124,653
<b>LONG-TERM OBLIGATIONS:</b>		
Notes payable and commercial bank financing (Note 3).....	69,378	103,053
Capital leases payable (Notes 2 and 8).....	1,931	1,188
Notes and capital leases payable to affiliates (Note 4) .....	15,962	17,585
Program contracts payable (Notes 1 and 5).....	10,743	7,232
Deferred taxes payable (Note 7) .....	1,900	-
Deferred gains (Note 6) .....	<u>353</u>	<u>230</u>
	<u>131,886</u>	<u>253,941</u>
WARRANTS OUTSTANDING (Note 3) .....	<u>11,607</u>	<u>-</u>
<b>COMMITMENTS AND CONTINGENCIES (Notes 3, 4, 5, 10, 11 and 14)</b>		
<b>STOCKHOLDERS' EQUITY (Notes 1, 3 and 11):</b>		
Common stock, \$0.01 par value, 25,000,000 shares authorized and 691,980 shares issued and outstanding.....	7	7
Additional paid-in capital .....	4,708	4,756
Accumulated deficit .....	<u>(8,480)</u>	<u>(16,930)</u>
Total stockholders' equity .....	<u>(3,765)</u>	<u>(12,167)</u>
Total Liabilities and Stockholders' Equity.....	<u>\$139,728</u>	<u>\$241,774</u>

The accompanying notes are an integral part of these consolidated balance sheets.

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993**  
(in thousands)

	<u>1991</u>	<u>1992</u>	<u>1993</u>
<b>REVENUES:</b>			
Advertising revenues, net of agency commissions of \$6,738, \$10,011 and \$11,296, respectively .....	\$39,698	\$58,544	\$65,422
Revenues realized from barter arrangements .....	<u>5,660</u>	<u>8,805</u>	<u>6,892</u>
Net broadcast revenues .....	<u>45,358</u>	<u>67,349</u>	<u>72,314</u>
<b>OPERATING EXPENSES:</b>			
Program and production .....	13,380	17,454	15,816
Selling, general and administrative .....	11,807	13,663	12,874
Amortization of program contract costs and net realizable value adjustments .....	9,711	16,288	9,448
Depreciation and amortization of property and equipment .....	2,051	2,654	2,558
Amortization of acquired intangible broadcasting assets and other assets (Notes 1 and 11) .....	6,316	11,978	10,480
Special bonuses paid to executive officers (Note 1) .....	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>43,265</u>	<u>62,037</u>	<u>61,176</u>
Broadcast operating income .....	<u>2,093</u>	<u>5,312</u>	<u>11,138</u>
<b>OTHER INCOME (EXPENSE):</b>			
Interest expense (Notes 3, 4, 8 and 11) .....	(8,895)	(12,997)	(12,852)
Interest income .....	461	1,117	1,220
Other income (Note 12) .....	<u>101</u>	<u>90</u>	<u>911</u>
	(8,333)	(11,790)	(10,721)
Income (loss) before (provision) benefit for income taxes and extraordinary items .....	(6,240)	(6,478)	417
<b>BENEFIT (PROVISION) FOR INCOME TAXES (Note 7)</b>	<u>1,580</u>	<u>1,189</u>	<u>(960)</u>
Net loss before extraordinary items .....	(4,660)	(5,289)	(543)
<b>EXTRAORDINARY ITEMS:</b>			
Gain on purchase of warrants (Note 3) .....	-	-	1,257
Loss on repayment of commercial bank debt and planned redemption of senior subordinated notes, net of related income tax benefit of \$2,900 (Notes 3 and 14) .....	<u>-</u>	<u>-</u>	<u>(9,164)</u>
Net loss .....	<u>\$ (4,660)</u>	<u>\$ (5,289)</u>	<u>\$ (8,450)</u>

The accompanying notes are an integral part of these consolidated statements.

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993**  
(in thousands)  
(Notes 1 and 8)

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Stockholders' Equity</u>
BALANCE, December 31, 1990.....	\$7	\$ 132	\$ 1,469	\$ 1,608
Net loss .....	-	-	(4,660)	(4,660)
BALANCE, December 31, 1991.....	7	132	(3,191)	(3,052)
Realization of deferred gain.....	-	4,576	-	4,576
Net loss .....	-	-	(5,289)	(5,289)
BALANCE, December 31, 1992.....	7	4,708	(8,480)	(3,765)
Realization of deferred gain.....	-	48	-	48
Net loss .....	-	-	(8,450)	(8,450)
BALANCE, December 31, 1993.....	<u>\$7</u>	<u>\$4,756</u>	<u>\$(16,930)</u>	<u>\$(12,167)</u>

The accompanying notes are an integral part of these consolidated statements.

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993**  
(in thousands)

	<u>1991</u>	<u>1992</u>	<u>1993</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss.....	\$ (4,660)	\$ (5,289)	\$ (8,450)
Adjustments to reconcile net loss to net cash flows from operating activities-			
Amortization of program contract costs and net realizable value adjustments.....	9,711	16,288	9,448
Deferred tax benefit .....	(1,146)	(606)	(5,050)
Depreciation and amortization of property and equipment .....	2,051	2,654	2,558
Amortization of acquired intangible broadcasting assets and other assets.....	6,316	11,978	10,480
Realization of deferred gain .....	(21)	(105)	(171)
Amortization of debt discount .....	611	2,096	1,883
Gain on life insurance proceeds .....	-	-	(844)
Gain on purchase of warrants .....	-	-	(1,257)
Loss on repayment of commercial bank debt and planned redemption of senior subordinated notes .....	-	-	12,064
Loss on disposal of property and equipment .....	-	-	115
Changes in assets and liabilities, net of effects of acquisitions and dispositions-			
Increase in receivables, net.....	(4,800)	(3,831)	(48)
(Increase) decrease in refundable income taxes...	(670)	(822)	1,415
(Increase) decrease in prepaid expenses and other current assets .....	(2,837)	(2,939)	803
(Increase) decrease in other assets and acquired intangible broadcasting assets.....	(5,145)	2,601	(1,226)
Increase (decrease) in accounts payable and accrued liabilities.....	2,932	(5,873)	2,516
Increase (decrease) in income taxes payable .....	257	(172)	704
Net effect of change in deferred barter revenues and change in deferred barter costs.....	(175)	(318)	149
Payments on program contracts payable .....	<u>(4,688)</u>	<u>(10,427)</u>	<u>(8,723)</u>
Net cash flows from operating activities .....	<u>\$ (2,264)</u>	<u>\$ 5,235</u>	<u>\$16,366</u>

The accompanying notes are an integral part of these consolidated statements.

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993**  
(in thousands)

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Net cash flows from operating activities	<u>\$(2,264)</u>	<u>\$ 5,235</u>	<u>\$16,366</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property and equipment.....	(1,730)	(426)	(528)
Loans to officers and affiliates .....	(653)	(830)	(244)
Repayments of loans to officers and affiliates .....	109	205	943
Acquisition of WPGH, Inc. ....	(55,000)	-	-
Payments for organization of new subsidiaries .....	-	-	(123)
Proceeds from life insurance benefits .....	-	-	1,075
Proceeds from disposal of property and equipment .....	-	-	398
Net cash flows from investing activities .....	<u>(57,274)</u>	<u>(1,051)</u>	<u>1,521</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from notes payable and commercial bank financing .....	77,258	25,037	225,000
Cash placed in escrow .....	-	-	(100,000)
Issuance of warrants .....	11,607	-	-
Purchase of warrants .....	-	-	(10,350)
Payments of deferred financing costs .....	-	-	(5,136)
Repayments of notes payable, commercial bank financing and capital leases .....	(30,642)	(23,891)	(110,806)
Repayments of notes and capital leases payable to affiliates .....	<u>(1,068)</u>	<u>(4,887)</u>	<u>(382)</u>
Net cash flows from financing activities .....	<u>57,155</u>	<u>(3,741)</u>	<u>(1,674)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,383)</b>	<b>443</b>	<b>16,213</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period .....</b>	<b><u>3,763</u></b>	<b><u>1,380</u></b>	<b><u>1,823</u></b>
<b>CASH AND CASH EQUIVALENTS, end of period ....</b>	<b><u>\$ 1,380</u></b>	<b><u>\$ 1,823</u></b>	<b><u>\$18,036</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:</b>			
Interest .....	<u>\$ 5,604</u>	<u>\$13,192</u>	<u>\$ 9,460</u>
Income taxes .....	<u>\$ 362</u>	<u>\$ 489</u>	<u>\$ 527</u>

The accompanying notes are an integral part of these consolidated statements.